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13 April 1961

CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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T H E W E E K I N B R I E F**LAOS Page 1**

Asian Communists have begun to modify their propaganda line that the international conference must precede a cease-fire and now indicate, in harmony with Moscow, that it may take place simultaneously with the conference. Leaders in Vientiane are concerned with the question of whether to reorganize the Laotian government pending clarification on a cease-fire and an international conference. This atmosphere of indecision, together with the collapse of the military drive to recapture Muong Kassy, may further demoralize the Vientiane forces. Vientiane is also concerned over a possible threat to the town of Pak Sane and evidence of a build-up of enemy strength in the Kam Keut - Lak Sao area. [REDACTED]

CONGO Page 4

Congolese officials in Leopoldville and Stanleyville, who have been attempting to bring about a meeting between Gizenga and members of Ileo's cabinet, apparently are increasingly distrustful of each other. In Leopoldville, Congolese leaders are angered at the prospect of UN representative Dayal's return, and this may jeopardize Hammarskjold's efforts to reach a negotiated solution of the Matadi dispute. In Katanga, the danger of a clash between Tshombé's supporters and the UN has been heightened by the Katanga government's apparent determination to continue its military operation in north Katanga and by its harassment of the UN in Elisabethville. [REDACTED]

CUBA Page 7

The Cuban Government signed a five-year trade pact with Hungary on 5 April and a one-year cultural agreement with Poland on 6 April. Speeches of Cuban Government leaders show mounting concern over economic difficulties. Insurgent bands continue to engage Castro's forces in several provinces. At the UN, 12 Latin American countries, anxious to forestall Afro-Asian plans to submit a resolution on US-Cuban differences, have agreed to present a proposal of their own, making it virtually certain that the General Assembly will adopt a resolution in some form. [REDACTED]

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FRANCE-ALGERIA Page 9

Prospects for early negotiations between the French and the Algerian rebels have been dimmed by De Gaulle's 11 April press conference. The Provisional Algerian Government (PAG) is unlikely to feel that De Gaulle's remarks provide the reassurances it wants about its

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status during any formal talks. The French President, although conceding eventual Algerian independence, seems reluctant to negotiate without some evidence that rebel action in both France and Algeria will be reduced. Meanwhile, Paris is increasingly concerned by the wave of bombings by rightists. [REDACTED]

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NUCLEAR TEST BAN NEGOTIATIONS Page 10

The Soviet delegation to the Geneva test ban talks has adopted the familiar tactic of pressing the West to announce agreement in principle of those aspects of Western proposals accepted by Moscow, despite significant areas of disagreement on the details of these proposals. On 10 April the Soviet delegate accepted the Western plan for East-West parity on the control commission. Meanwhile, outside the conference, Soviet officials have hinted privately that a compromise might be possible in which Moscow would not use its proposed tripartite administrative council to veto inspections if the West reduced the proposed number of inspections inside the USSR. [REDACTED]

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SINO-SOVIET TRADE PACT SIGNED. Page 12

The 1961 Sino-Soviet trade protocol signed on 7 April is the first step toward the establishment of a new framework for economic relations between Peiping and Moscow. The communiqué announcing the agreement gives no indication of the volume of trade scheduled for 1961, but if, as seems likely, it is to be on the usual "pay-as-you-go" basis, the level of trade will be severely reduced. In addition to the trade protocol, Moscow agreed to make a "loan" to Peiping of 500,000 tons of sugar and to reschedule over the next five years repayment of the trade deficit accrued by China through 1960--about \$400,000,000. The communiqué describes in patronizing tones the Soviet Union's "great understanding" of China's plight and mentions China's "gratitude" for Moscow's help. [REDACTED]

YUGOSLAV-ALBANIAN RELATIONS. Page 14

Relations between Yugoslavia and Albania continue to deteriorate. Belgrade has expelled an Albanian Legation official implicated during the most recent trial of Albanians accused of espionage. Tirana retaliated by expelling a Yugoslav diplomat, accusing Yugoslavia of complicity in a plot to overthrow the Albanian Government, and in effect committing itself to an anti-Yugoslav show trial. Although Moscow has continued to stress the desirability of normal state relations with Belgrade, recent incidents have also marred Yugoslavia's relations with Bulgaria and Czechoslovakia. [REDACTED]

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SOUTH VIETNAM Page 15

The Viet Cong guerrilla organization has probably suffered no serious setback either from President Diem's election or from a series of relatively large-scale engagements with government forces before the election. The Communists have demonstrated a capability to increase their numbers steadily during the past year, despite military countermeasures and periodic heavy losses. Should Diem use his sweeping electoral victory to justify his tight political controls and to stall administrative reforms, he may face a renewed threat of a non-Communist coup which could readily be exploited by the Communists. [REDACTED]

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RESTLESSNESS IN SOUTH KOREA Page 16

South Korean security forces have been alerted to the possibility of new public disorder on the occasion of the first anniversary of Rhee's downfall. There is widespread dissatisfaction, particularly in urban areas, over the failure of the Chang Myon administration to meet the high expectations engendered by last year's revolution. Leftist groups appear to be taking a more prominent role in stirring up public unrest, and a gradual swing of public support toward the left seems inevitable in the absence of a more vigorous reform program. The government shows some signs of returning to the repressive tactics of the old regime. [REDACTED]

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INDONESIA'S NATIONALIZATION POLICY Page 17

Recent moves by the Indonesian Government to facilitate nationalization of the oil industry--the largest component of the country's economy still controlled by foreign firms--have been temporarily suspended because the Soviet Union has refused to underwrite the extensive marketing losses and dislocations which would follow nationalization. The industry's respite is likely to be only temporary, however, as Indonesian officials have said they ultimately intend to nationalize all private foreign enterprises. Djakarta probably intends to rely mostly on government aid from both the West and the Sino-Soviet bloc to build up the nation's economy. [REDACTED]

BLOC AID FOR WELFARE, EDUCATION, AND AGRICULTURE Page 18

As part of their economic aid program, bloc countries are contributing to welfare and agricultural projects in 15 underdeveloped countries in Asia and Africa. Although the amount of aid for these purposes is small--totaling \$120,000,000--the bloc has won considerable public favor in recipient countries through its sponsorship of such projects as hospitals, state farms, and technological schools. [REDACTED]

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ITALIAN FASCIST REVIVAL Page 20

The neo-Fascist Italian Social Movement has stepped up its activities in recent months, staging demonstrations on a variety of issues. Anti-Fascist sentiment is strong, however, and one such demonstration in Florence last month met resistance which resulted in a riot. The neo-Fascists' financial situation is improving, apparently the result of increased contributions from industrialists.

ANGOLA Page 21

Unrest continues to mount in Angola amid rumors of new uprisings throughout the country. As a result, security officials and armed white civilians are reported taking brutal reprisals against natives. Uprisings are allegedly planned to coincide with the forthcoming General Assembly discussions on Lisbon's policy in Angola. These discussions, expected to materialize within the next two or three weeks may also signal the beginning of nationalist uprisings in the Cabinda exclave.

SPECIAL ARTICLES**SECRET**

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****WEEKLY REVIEW****LAOS**

Souvanna Phouma has altered the itinerary of his world tour to include a visit to Washington from 18 to 20 April. Originally scheduled to be in Moscow from 16 to 20 April, he now will leave there on 18 April, but return after his US visit. From Moscow, he plans to go to Peiping, Hanoi, and possibly Xieng Khouang before returning to Phnom Penh about the end of April.

In contrast to Souvanna's growing confidence that he is destined for a leading role in Laos, considerable confusion prevails in Vientiane over how and when to reorganize the government. King Savang and General Phoumi now feel this problem should be faced only after the Communist position on a ceasefire and the timing of an international conference is clarified.

The uncertain atmosphere has given rise to numerous rumors--including talk of a developing rift between Phoumi and Premier Boun Oum--of Phoumi's possible willingness to make a political deal with the Pathet Lao, and of a possible government maneuver to force SEATO intervention. Whatever the validity of these rumors, they appear to be having a demoralizing effect on Vientiane's political and military efforts against the Communists.

The Military Situation

The government's operation to retake Muong Kassy has collapsed. The parachute battalion and the infantry battalion airlifted north of Muong Kassy reportedly met enemy pressure after an initial advance to the outskirts of the town, and Phoumi is reported to have ordered their withdrawal to Luang Prabang. The government force on Route 13 south of Muong Kassy

has made little progress in the face of artillery fire and land mines.

Although enemy strength in the area is unknown, the lack of aggressiveness by government troops appears to be a major factor in the situation. The failure of this operation, to which the government was heavily committed, could have serious repercussions on the sagging morale of the army and reinforce the government's tendency to look to outside assistance against a Communist takeover.

In the Pak Sane area, government troops are under orders to conduct patrol activity and to improve defensive positions against the threat of an attack from Tha Thom. There are reports that Kong Le - Pathet Lao forces are widening a trail southward toward Pak Sane and may be moving a force to cut off the highway connecting the town with Vientiane.

Evidence is accumulating to verify reports of significant enemy strength in the Kam Keut - Lak Sao - Nhommarat area, although Laotian estimates on the size of enemy units appear inflated. Patrols near Kam Keut and Nhommarat have recently encountered enemy elements supported by heavy mortars, and

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a supply base is being built up at Lak Sao.

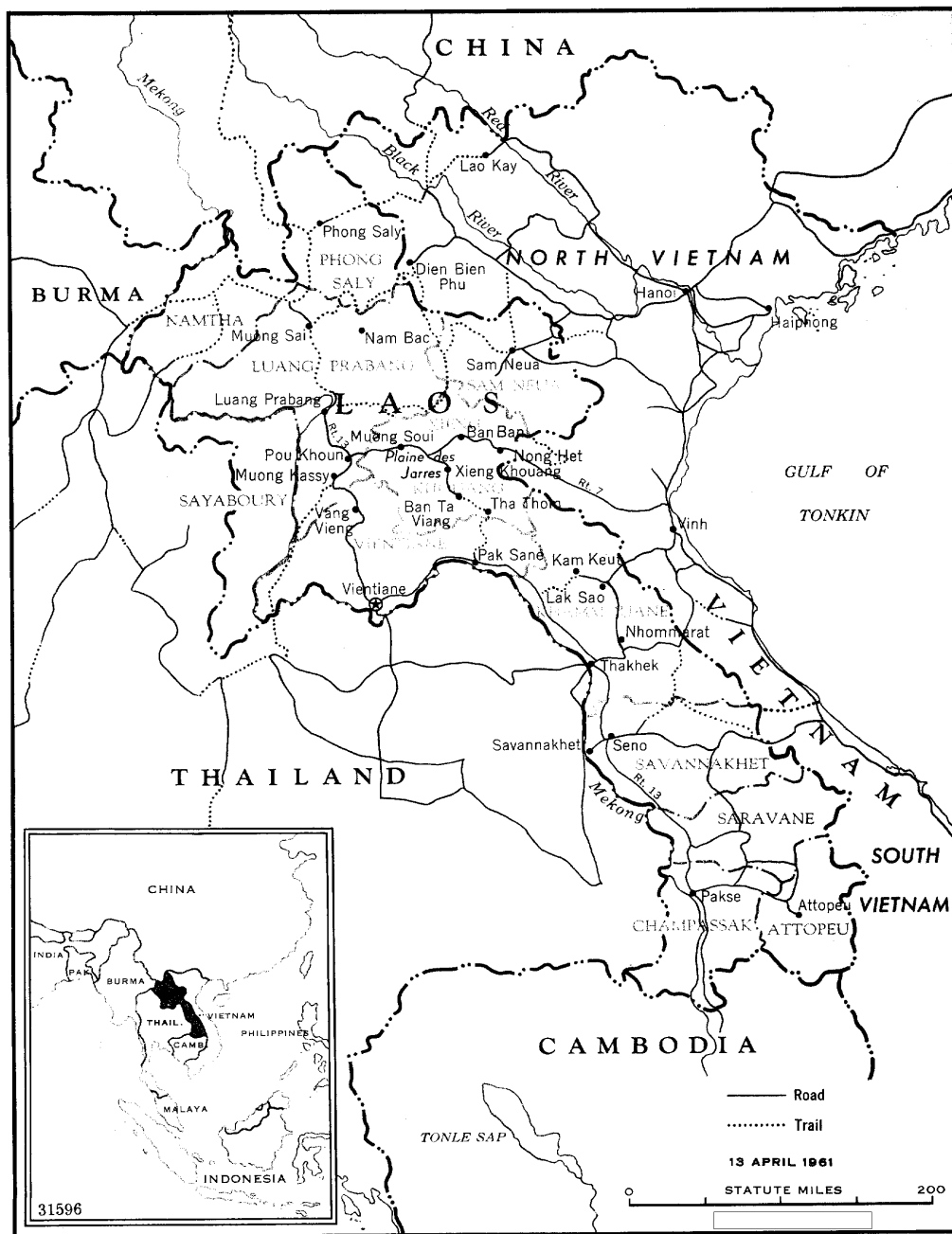
Soviet Moves

Initial Soviet reaction to Britain's draft texts implementing its 23 March proposals reflects a growing confidence that the military successes and initiative of the Pathet Lao - Kong Le forces have given the Communist bloc a great advantage in pre-conference political

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maneuvering. Moscow is seeking to exploit this leverage to compel the Western powers to retreat from their position that a verified cessation of hostilities is an essential prerequisite for an international conference.

Moscow's policy is to avoid any actions which, in the Soviet leaders' judgment, might lead to US or SEATO intervention, but to continue to press for the most advantageous terms for negotiations. Gromyko remarked to Ambassador Thompson on 10 April that he had the impression that things were calmer in Laos now and that it was most important that no action be taken to disturb the situation.

note of 23 March provided an acceptable framework for moving the Laotian issue into the negotiating stage.

However, Pushkin quickly pointed out that his initial impression after reading the draft UK proposals was that the West was still making the conference conditional on the verification of a cease-fire instead of regarding all the proposals as a single continuous process. He said that a definite date on the conference should be agreed on as soon as possible and the problem of the cease-fire verification needed to be examined further.

The Asian Communists

During the past week Asian Communists appear to have modified their position on the timing of a cease-fire. The Pathet Lao do not now seem so firmly locked to a conference before a cease-fire. A Pathet Lao broadcast of 7 April, which was repeated by Peiping and Hanoi, referred to a cease-fire taking place simultaneously with the meeting of the 14-nation conference. It is uncertain whether this wording means at the convocation of or during the conference. Moscow in a repeat of this broadcast, however, stated specifically that a cease-fire must coincide with the convocation of a conference.

The Pathet Lao also elaborated two other "necessary conditions" for a cease-fire. They stipulated that the "interested parties" within Laos should work out the ground rules for a cease-fire. They also insisted that the cease-fire must coincide with the ending of "aggression and intervention" by the US and its "satellites." In this connection the Pathet Lao stated on 6 April that a real cease-fire could be achieved only when the US had withdrawn its "military officers, aircraft, armaments, and the aggressive troops of Thailand and the Chiang Kai-shek remnants."

Communist bloc reaction on this issue strongly implies that, while the USSR may join the British in appealing for a cease-fire by a specific date and propose that the contending factions in Laos begin truce negotiations, Moscow intends to press for a firm date for the conference at the same time the cease-fire appeal is made and may even insist that cease-fire talks and the conference begin simultaneously.

In the initial discussion of the British draft proposals --which called for a joint appeal for a de facto cease-fire from the Geneva co-chairmen, the reactivation of the ICC, and the convening of an international conference--Soviet Deputy Foreign Minister Pushkin was generally moderate and reflected Moscow's apparent conclusion that the British

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****CONGO**

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Maneuvering is continuing between officials of the Stanleyville and Leopoldville regimes. A meeting between Gizenga and members of Ileo's cabinet reportedly scheduled for 10 April did not take place. Officials in both capitals apparently are becoming increasingly distrustful of each other. Leopoldville Provincial President Kamitatu, who has been a leader in the efforts to bring the two sides together, now believes that negotiations will be postponed at least until next week.

The chief causes of the postponement apparently were an order from Gizenga "dismissing" Kasavubu and an attempt by Mobutu at unilateral negotiations with officers of Gizenga's forces. Gizenga, who claims that as acting head of the "legitimate government" he is empowered to remove the chief of state if he proves unfit to govern, has issued a decree replacing Kasavubu with a "presidential college" composed of the ministers of Lumumba's cabinet who now are in Stanleyville and Cairo.

UN-Congolese Relations

The possibility remains of new violence in the lower Congo river area between the Congolese and the UN Command. In reply to Hammarskjold's proposal that a token Nigerian police unit be admitted to Matadi, Kasavubu insisted on a phased arrival. This was deemed unsatisfactory by the secretary general, but he told a group of Western representatives on 8 April that the reply did not warrant strong UN action. Hammarskjold implied that he hoped to gain further concessions from the Congolese by negotiation.

Congolese officials in Leopoldville were told on 11 April that UN chief representative Dayal would return to the Congo. Foreign Minister Bomboko asserted this would lead to new incidents between the UN and the Congolese forces. He said that no UN forces would be allowed in Matadi and that the Indian contingent presently being sea-lifted would be fired on if it attempted to land there.

Foodstuffs are piling up at Leopoldville warehouses and sizable quantities of fish, bacon, and meat are going to waste.

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A senior official of the Congolese transport company blamed the UN for refusing to issue instructions for distribution and warned that company operations would soon be bottlenecked at Leopoldville, and that facilities at Matadi would have to be shut down. The Leopoldville problem, according to the company, has nothing to do with the issue of UN troops in Matadi.

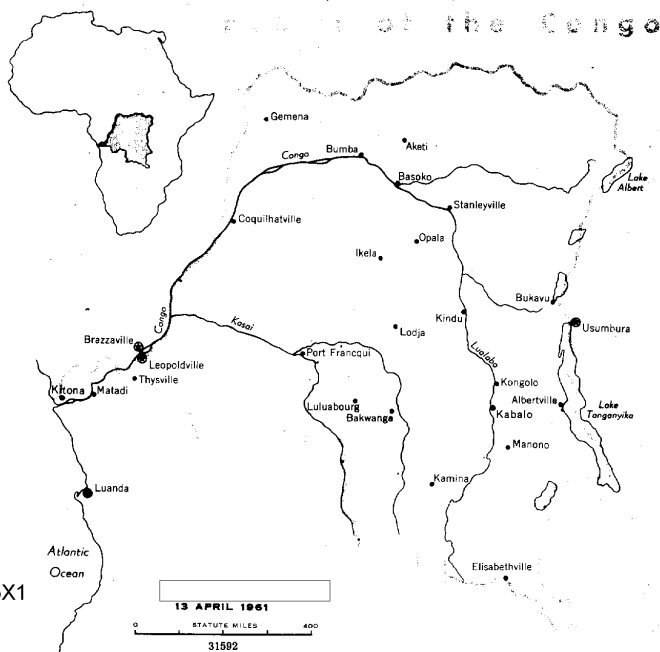
Military Operations in Katanga

Tshombé is continuing his harassment of UN officials in an effort to halt the UN attempt to blunt his military operations around Kabalo. Elisabethville banks reportedly are no longer honoring UN checks, and Katanga

troops at the Kamina base, where some 1,400 Indian troops are stationed, are maintaining roadblocks and mining roads in the area. The UN has reinforced its contingent of Ethiopians at Kabalo; a spokesman for the organization said on 10 April that the UN was in "complete control" of the town.

Efforts to airlift 1,200 Indian troops to Katanga from the Tanganyika port of Dar es Salaam, where the US transport Blatchford remains with some 2,300 Indian troops on board, are stalemated for lack of suitable aviation fuel in Tanganyika and the limited airport facilities there. The UN apparently is attempting to airlift all or part of the Indian contingent in UN aircraft. Hammarskjöld has about 15 C-54s at his disposal, which could carry 40 troops each trip. Any of the Indian troops not airlifted presumably would go by sea to Matadi, or to Lagos, Nigeria.

Hammarskjöld fears that Tshombé's military operations foreshadow intensified civil war in Katanga unless the UN can promptly establish its authority. He believes that Tshombé's moves are an effort to undercut Jason Sendwe, who on 7 April proclaimed himself chief of the Lualaba state and called on its people to resist Tshombé's troops. The secretary general said that he is coming to the conclusion that Tshombé is "simply a criminal and outlaw" and that the element of force on Tshombé's side in diplomatic bargaining with the UN must be removed.

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White mercenaries played a crucial role in the military effort against the Baluba tribesmen of north Katanga;

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Tshombé apparently is under pressure from traditionalist leaders in the Katanga legislature, who have introduced a bill calling for the establishment of a prime minister's office. Under this system Tshombé as president would have a largely symbolic role, and actual power would be wielded by the premier. The traditionalists reportedly hope to install their spokesman, Interior Minister Munongo, in the new office. Munongo is an extreme conservative who is strongly opposed to the Belgians and is generally unfriendly to other Europeans.

Belgian Attitudes

Nevertheless, the Socialist Paul-Henri Spaak, who will most likely be the next foreign minister, is expected to adopt a more cooperative attitude toward the UN and is said to be planning to absorb the Ministry of African Affairs into the Foreign Ministry, in the hope of eliminating a major source of pro-Katanga influence and an important channel for undercover dealings with Tshombé. The new government, however, would not advocate a Congo policy which would seriously arouse the Belgian public and jeopardize the prospects for the domestic reforms in which the electorate is primarily interested.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****CUBA**

Cuba and Hungary signed a five-year trade agreement on 5 April, and on the following day the Cuban cultural delegation now touring bloc countries signed a cultural agreement for 1961 with Poland. The latter pact provides for an exchange of teachers, artists, and exhibitions, and for radio and television cooperation.

There are new press rumors of a Khrushchev-Castro meeting before the end of the year, possibly in Cuba. Khrushchev accepted an invitation to visit Cuba which was proffered last June and renewed at the UN last September.

The present report is attributed by Mexican press sources to the Soviet ambassador in Cuba, who recently returned to Havana following a trip to Mexico.

The press reported on 6 April that many Communist technicians were leaving Cuba because of disgust with the inefficiency of the Castro government. Groups of Czech aviation instructors and bank advisers were also reported to have returned home recently.

Anti-Castro Activity

The pace of anti-Castro activity both inside Cuba and among Cuban exiles is mounting, and sabotage efforts against Cuban industrial and commercial installations are being stepped up. Insurgent bands are actively engaging Castro's forces in several Cuban provinces.

Skirmishes between government forces and insurgents in eastern Oriente Province are continuing to occur, although Raul Castro asserted on 6 April that government army and militia troops had liquidated the centers of resistance there. According to information reaching the US Naval Base at Guantanamo Bay, the government's saturation of the area with militia forces is forcing some of the ill-equipped anti-Castro guerrilla bands in the area to disband.

After seven months, guerrillas are still active in the Sierra Escambray region of Las Villas Province, although government counteraction and shortages of supplies have considerably reduced their numbers and mobility to the point where resistance may not be continued much longer.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****Economic Difficulties**

The increasing frequency with which Castro and other government leaders attempt in their speeches to minimize present material shortages underlines the regime's mounting concern with economic difficulties. On 6 April President Dorticos referred to the responsibility of "aggressive imperialism" for "minor shortages" in Cuba, and Castro conceded on 8 April that "some things, it is true, are lacking, but only luxury items used by the minority." Later in the same speech Castro said his regime was "ready to ration articles so the people will not have to suffer."

At the UN

Cuba has enlisted the support of the Afro-Asian bloc in its efforts to have the UN call for bilateral discussions between Havana and Washington. Indonesia has been circulating a draft resolution along these lines which reportedly has the support of some Latin Americans.

To forestall the Afro-Asian initiative, the 12 Latin American countries which have diplomatic relations with Cuba have agreed that they must submit a resolution. The Venezuelan UN delegate considers that the debate on the Cuban complaint will be "so explosive that he could not imagine it being conducted without a resolution."

The 12 countries have drafted a resolution which in effect equates the US with Cuba, thereby dignifying Cuban charges. It also fails to define the problem specifically as a hemisphere matter that should be handled by the Organization of American States. The Latin Americans, however, have indicated a willingness to amend it. Their initiative makes it virtually certain that the General Assembly will issue a resolution in some form.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****FRANCE-ALGERIA**

Prospects for early negotiations between the French and the Algerian rebels have been dimmed by De Gaulle's 11 April press conference. The Provisional Algerian Government (PAG) is unlikely to feel that De Gaulle's remarks provide the reassurances it wants about its status during any formal talks. For his part, although he has conceded that the Algerians will eventually gain independence, De Gaulle seems reluctant to negotiate without some evidence that rebel action in both France and Algeria can be reduced.

De Gaulle continues to stress the concept of self-determination for Algeria. He claimed in his press conference that France is willing to abide by an Algerian choice of unconditional independence, but he voiced his strongest threats to date--repatriation of French residents of Algeria, expulsion of Algerian workers from France, and termination of all forms of French aid--to discourage the choice of "chaotic independence" without ties to France. He said that the alternative--association with France--would assure French aid of various types in exchange for guarantees of minority rights, military base rights, and preferential economic and cultural ties with France.

The American Embassy in Paris feels that while De Gaulle firmly laid down realistic alternatives, he also definitely offered independence and opened up perspectives which are in the highest interests of the Algerians. He also foreshadowed the future development of France as a European rather than as a colonial power.

Although reports originating shortly before the press conference indicated that the rebels were again ready to talk with the French, De Gaulle's

refusal to concede the PAG's claim that it alone should speak for Algeria in formal negotiations may cause the PAG leaders to feel that further public initiatives on their part at this time would be regarded as signs of weakness. The initial reaction in rebel circles in Tunis was generally unfavorable, but attempts to reach a basis for opening negotiations through additional secret contacts may continue.

Most of the French press initially endorsed De Gaulle's statement, but the Communist paper L'Humanité maintained that the press conference showed that De Gaulle "continues to accumulate obstacles on the way to peace." The President's five-day speaking tour of southwestern France beginning on 12 April was probably scheduled at this time in order to provide opportunities for him to clarify and amplify his press conference remarks.

Paris now appears to be turning its attention to suppressing the epidemic of plastic bombings in France and in Algeria. The police have rounded up known rightists for questioning but do not appear to have apprehended any of those responsible. The sidetracking of peace negotiations may lead to a diminution of these attacks, but De Gaulle's open acceptance of at least the possibility of outright Algerian independence is unlikely to change the feeling of frustration which prompted the outbreak.

De Gaulle may intend to rely on the police to control the "French Algeria" die-hards while he tries to reduce domestic sympathy for them by holding out visions of the economic benefits to France of a withdrawal from Algeria. His domestic prestige will suffer if the security forces prove either unable or unwilling to end the violence. 25X1

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****NUCLEAR TEST BAN NEGOTIATIONS**

The Soviet delegation has continued to accept only those Western concessions which correspond to previous Soviet positions, while criticizing other proposals as unacceptable. At the conference session on 10 April, Chief Soviet delegate Tsarapkin announced acceptance of the Western plan for an 11-member control commission composed of four representatives from the West, four from the bloc, and three from neutral countries.

He divided the remaining Western proposals into those which were still unacceptable and those which showed only an appearance of "movement." In the latter category he placed the moratorium on underground testing and the number of control posts to be set up in the USSR. He claimed, however, that the Western plan would lead to a situation in which control posts would be operating in the Soviet Union after two years, while the US would be free to conduct underground tests a year later, when the moratorium expired.

On 12 April he repeated Moscow's insistence that 15 control posts be installed in the USSR during a four-year period, rather than 19 posts as proposed by the West. The Soviet delegate also said that no inspections could be made until the end of this period. On other key issues he charged that the US and UK continued to advocate old, unacceptable attitudes.

The Soviet representative has adopted the familiar tactic of pressing for immediate agreement in principle on the points accepted by Moscow, despite

significant areas of disagreement on details. The Soviet delegation urged the Western powers to indicate that general agreement has been reached on a permanent ban of high-altitude testing, on internal inspection of nuclear devices used in the research program for improving detection methods and in the peaceful uses program, and on a veto over the total budget for the control system and the composition of the control commission.

On 10 April he claimed that recording agreement on these items would be of "enormous significance" and demonstrate that the conference was making progress. Soviet propaganda has used Western refusal to stress that the West bears the responsibility for leading the talks into an impasse.

The current Soviet tactic of picking certain points for agreement without offering new counterproposals on unresolved issues suggests that the Soviet leaders feel further Western concessions can be obtained. Press reports from London quote a "high Communist diplomatic source" as stating that within a week or ten days Moscow will give a generally unfavorable reply to the over-all Western plan, persist in its opposition to 20 on-site inspections each year in the USSR, and insist on a tripartite council for administering the control system.

Soviet diplomats have hinted privately, however, that a compromise might be arranged. Such a compromise might take the form of an explicit Soviet assurance that the veto in the proposed tripartite council would not apply to on-site

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inspections within the agreed quota, in exchange for Western agreement to scale down the number of inspections for the Soviet Union.

A member of the Soviet delegation told a Western official that the real sticking point was not the Soviet proposal for a tripartite administrative council but the inspection quota. He claimed that the USSR had previously given up veto rights over on-site inspections, and that in return the US should give up something on the number of inspections.

Soviet propaganda coverage of the conference, however, continues to be highly pessimistic. Vice President Johnson and the American and British delegations were described by Pravda on 9 April as demanding acceptance of Western proposals in an extremely ultimative manner, with the implication that the West will break off the talks if the Soviets do not agree. Pravda claimed that a campaign was developing in the West aimed at "wrecking the talks." Senator Gore's message to the President was cited as support for the contention.

Newsweek magazine was also cited as disclosing that the basic task of the Western delegations was how to end the talks

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without giving the USSR the propaganda advantage. Izvestia on 10 April also emphasized these charges, while noting

that the American proposals contained "some positive points."

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SINO-SOVIET TRADE PACT SIGNED

The 1961 Sino-Soviet trade protocol signed on 7 April is the first major step toward the establishment of a new framework for economic relations between Moscow and Peiping. Negotiations apparently have been under way since the end of the Moscow Conference of world Communists last December.

The communiqué on the trade talks gave no indication of the volume of trade scheduled for 1961 or the actual level reached last year. Except for the omission of Chinese foodstuffs, the trade goods mentioned are similar to those singled out in previous years. However, China's curtailed economic capability, its need for large imports of foodstuffs, and the failure to disclose a target for 1961 point toward a further reduction in Sino-Soviet trade this year. Total trade between China and the USSR last year--originally scheduled at about \$2 billion, slightly less than in 1959--dropped significantly, chiefly because of Peiping's failure to sustain the necessary volume of exports.

If, as seems likely, 1961 trade is to be on the usual "pay-as-you-go" basis, the level of

this trade will be severely reduced. Barring a rapid improvement in China's export capability, a restoration of the previous level of trade depends on the Soviet Union's willingness to extend new credits and to return a large number of its technicians to China. Such assistance probably will be forthcoming only if matched by appropriate political concessions on the part of the Chinese.

Under the new trade pact, Soviet aid takes the form of postponing repayment of China's accumulated trade debts and supplying 500,000 tons of sugar by August 1961, for which Peiping will pay by shipping sugar to the USSR during 1964-67. Although China already is buying 1,000,000 tons of Cuban sugar this year, the additional amount from the USSR--probably also of Cuban origin--will be a contribution toward easing China's food crisis.

The debt postponement apparently involves all of the nearly \$400,000,000 in short-term debts China had accumulated with the USSR by the end of 1960. It is to be repaid by Peiping within five years without interest. China also has outstanding about

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\$450,000,000 in long-term debts to the USSR arising from economic and military credits extended prior to 1956. The annual payment on this debt was about \$175,000,000 in 1960. Repayment on this indebtedness apparently has not been postponed.

The debt postponement actually amounts to formal acknowledgment by Moscow that the Chinese would not, or could not, repay immediately. Nevertheless, spreading out over five years the obligation to ship goods worth nearly \$400,000,000 enhances Peiping's export potential and eases the burden of financing the large-scale food import program it launched this year.

The day after the conclusion of the trade pact, a Chinese delegation arrived in Moscow to "carry on and complete" the talks started in Peiping last February on economic, scientific, and technical cooperation between China and the USSR. These negotiations are covering the most important aspects of the Sino-Soviet economic relationship, including Soviet deliveries of complete industrial plants and technical assistance, which were disrupted by the withdrawal of Soviet technicians last summer. There has been no hint of the progress of these talks, and no references have been made to "satisfactory" agreements, such as followed the preliminary trade talks.

With a plan already worked out for Soviet industrial deliveries in 1961--presumably at a considerably reduced level--

the present discussions are centered on rescheduling long-term Soviet deliveries of capital equipment and reaching agreement on how much, if any, Soviet technical assistance is to be provided.

On the surface, the negotiations so far have been conducted in an atmosphere of studied friendship and unity, unmarred by polemical outbursts. In recent weeks, Peiping has avoided at least one opportunity to revive the polemics; it ignored the 1 April anniversary of its first "Long Live Lenin" article --one of the series which blasted the Sino-Soviet dispute into the open.

Peiping has, in fact, quietly reversed itself since last fall on the question of the importance of Soviet aid. In November, Foreign Minister Chen Yi had disparaged Soviet aid, saying that China's construction depended on its "own efforts." Now, however, with the Sino-Soviet economic talks in progress, Chen has been reliably quoted as saying that Soviet assistance is "critical for all of us."

Unlike previous annual trade communiqués, which were largely matter-of-fact statements, the latest one reflects the somewhat galling position in which Peiping now finds itself. The 1961 communiqué, in patronizing tones, refers to the Soviet Union's "great understanding" of China's plight and to Peiping's "gratitude" for Moscow's help.

(Prepared jointly with ORR) 25X1

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****YUGOSLAV-ALBANIAN RELATIONS**

Belgrade and Tirana are close to a de facto break in diplomatic relations. After holding its seventh trial this year of Albanians charged with espionage, Belgrade on 6 April expelled the third secretary of the Albanian Legation, who had been identified during the trial as the contact man of the accused. On the following day, Tirana expelled an attaché of the Yugoslav mission in Albania. Yugoslavia had already reduced its staff in Tirana by more than half in February.

In the announcement which accompanied the expulsion of the Yugoslav diplomat, Albania charged Yugoslavia with attempting by pressures and threats to prevent the Hoxha regime from publishing "facts and documents proving" Yugoslav complicity in a plot--"with Greece and in coordination with the US Sixth Fleet"--to overthrow the Albanian Government. Tirana asserted that Belgrade had warned the Albanian chargé that it would break diplomatic relations if Albania brought to trial those involved in the plot. By publicly mentioning trials in this context, Tirana is in effect committing itself to hold them; they were first threatened by First Secretary Hoxha at the Albanian party congress in February.

Belgrade, presumably in anticipation of incriminating

disclosures at an Albanian trial, has gone to great lengths in recent weeks to document its contention that Albanian policy toward Yugoslavia has been consistently and vigorously hostile since 1948.

On 7 April the Yugoslav Government published a White Book on Yugoslav-Albanian relations since World War II. The US Embassy in Belgrade believes that this issuance "clearly reflects an effort to place current difficulties in deeper perspective and gives added support to reports current in Belgrade that the Yugoslavs are planning a diplomatic rupture, or at least a suspension of diplomatic relations along the lines followed in 1948-53," when all diplomats of both countries were simply either expelled or recalled. Now, as then, neither side apparently wishes to shoulder the direct blame for a break in relations.

For several years, Yugoslavia's relations with Albania and Communist China have generally been worse than those with the rest of the bloc. In March, however, Bulgaria expelled a Yugoslav diplomat it accused of espionage, and Belgrade retaliated. Sofia is concerned about the influence of the Yugoslav system on some elements in the Bulgarian party.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

The Yugoslavs charged Czechoslovakia on 7 April with using "Albanian methods" against Yugoslav diplomats in Prague. On 10 April, Belgrade complained that a counselor of its embassy in Prague had been the victim of "criminal attacks in extreme-

ly suspicious circumstances"; he had allegedly been administered narcotics.

Moscow still publicly favors maintaining correct state relations with Yugoslavia. [REDACTED]

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SOUTH VIETNAM

The Viet Cong (Communist) guerrilla organization in South Vietnam has probably suffered no serious setback either from President Diem's resounding electoral victory or from the series of relatively large-scale engagements with government forces during the weeks preceding the election.

The Communists apparently believe that they can bring about Diem's downfall through a process of erosion, fostering the growth of political discontent and weakening the government's control through guerrilla harassment. The Communists can be expected to intensify these efforts over the coming months.

Although the Diem government issued exaggerated reports over both the size of Communist bands and the extent of casualties inflicted on the guerrillas in the recent clashes, the seriousness of the Communist threat was acknowledged by the President for the first time in a recent press conference.

The Communists have demonstrated steadily during the past year their capability to increase their numbers and expand the area of their operations despite military countermeasures and periodic heavy losses.

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President Diem has argued that the internal Communist threat precludes the relaxation of political controls in South Vietnam demanded by his non-Communist opponents. He may use his sweeping electoral victory to justify further stalling on administrative reforms. Reports of increased restiveness among middle- and junior-level army officers, many of whom doubt Diem's intention to make any basic changes, indicate that he may face the renewed danger of non-Communist action against him which could be readily exploited by the Communists. [REDACTED]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

RESTLESSNESS IN SOUTH KOREA

South Korean security forces have been alerted in case there is a new upsurge of public disorder on the anniversary of the overthrow last April of the Rhee regime. Dissatisfaction over the failure of the Chang Myon administration to meet the high political and economic expectations of the revolution is widespread, particularly in urban areas. Chang has put through a number of limited political and economic reforms, but he has not displayed the dynamic leadership necessary to win broad public confidence.

Public apathy and the lack of an emotional issue minimize the prospect for a massive move that could bring down the government but incidents of violence, which seem likely, could lead to a serious clash between demonstrators and the police. The authorities have scheduled events by government supporters in order to deny the use of public places to anti-government demonstrations on the anniversary of the student uprising which led to Rhee's overthrow.

This and other recent actions indicate a tendency by the government to revert to the repressive tactics of the Rhee regime in order to silence criticism. Early in March the authorities made an inept attempt to suppress by administrative fiat the country's new and only leftist-oriented newspaper, Minjok Ilbo.

The administration also is seeking more stringent security legislation to combat public disorder and subversion. The pending Demonstration-Control Bill would limit public demonstrations to a half-hour at any location and would prohibit demonstrators from blocking public buildings, using loudspeakers, or assembling in front of embassies and private homes. A proposed amendment to the National Security Law is so loosely drawn that the conservative opposition fears it may be used to silence legitimate criticism. Even administration legislators are divided on support for the measure.

At the same time, leftist groups appear to be taking a more prominent role in stirring up public unrest. Recently leftists, presumably Communists, have been identified attempting to organize the students. A hard core of subversives is thought to have been responsible for the appearance of pro-Communist and anti-American slogans during clashes between police and demonstrators on 22 March.

The capabilities of the police have gradually improved, and their recent training and performance indicate that they probably can control moderate disturbances. However, a gradual swing of public support toward the left seems inevitable in the absence of a more vigorous reform program.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****INDONESIA'S NATIONALIZATION POLICY**

The main objectives of Indonesia's economic policy are to increase the central government's control over the economy and to eliminate private foreign capital. This policy has already resulted in extensive expropriation of properties and other assets formerly held by Dutch and Chinese nationals. Recently Djakarta began applying heavy pressure on the three large oil companies operating in Indonesia with the obvious intent of bringing them under direct government control.

The Indonesian Government, however, now has indicated a willingness to come to terms with these companies and to modify new financial and tax regulations which in effect would have increased its share of oil profits to more than 80 percent. This apparent reversal follows an unsuccessful approach to the USSR for assistance in the event Indonesia decided to go ahead with its program for nationalizing the oil industry.

Despite any temporary agreement that might be reached with the producers, the Sukarno government plans to put into effect its new system of "production shares." Under this system, foreign oil properties would be nationalized at some future date and would be offered a contractual arrangement providing for reimbursement in oil to foreign producers for a maximum of 20 years. Japanese oil and fishing interests accepted this scheme last year.

Two American oil firms (Standard Vacuum and Caltex), and one Anglo-Dutch combine (Shell) account for 96 percent of Indonesian oil production and 20 percent of total exports, and contribute about \$75,000,000 annually to net foreign exchange earnings. They also import \$10,000,000 in oil products for the domestic economy.

Indonesia, which is counting on greatly increased exports to provide much of the revenue needed for investment in its Eight-Year Plan, would encounter great difficulty in marketing oil abroad without the cooperation of Western companies. Nevertheless, an effort has been made to reduce Western influence in the industry by bringing in eight Rumanian advisers to serve with the Petroleum Bureau and with Permina, a small Indonesian producer.

The Indonesian Government has also sought a means of gradually squeezing out foreign rubber interests. Under the new Basic Agrarian Law, American firms stand to lose their concession rights within five years unless they accept contractual arrangements transferring ownership of their estates to the government.

In mid-March the Indonesian Army took over Belgian rubber and palm-oil estates in Sumatra "to maintain law and order" following demonstrations by Communist-controlled labor unions over the death of Patrice Lumumba. Djakarta's move in this situation closely parallels actions it took against Dutch interests in 1957 which ultimately led to nationalization.

Djakarta does not seem concerned over the poor investment climate it has created. By playing off the West against the Communist bloc, and even against the Japanese, it expects to acquire on bargain terms what little private investment is forthcoming. Further, it intends to rely chiefly on foreign government aid to establish "socialism." Two years ago Indonesian officials told a Japanese delegation which had recommended an economic stabilization program similar to the 1949 Dodge program for Japan that the United States and the bloc would build Indonesia for them.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****BLOC AID FOR WELFARE, EDUCATION, AND AGRICULTURE**

Bloc countries are contributing to welfare and agricultural projects in 15 underdeveloped countries in Asia and Africa. Although the value of aid for these purposes has totaled only \$120,000,000--or 3 percent of total bloc economic aid committed to the underdeveloped countries--such projects as technological schools, hospitals, and state farms have won considerable public favor in the recipient countries. In addition to aid specifically allocated for agriculture, the bloc is participating in large multipurpose projects which will directly or indirectly benefit agriculture. Aid for welfare and education has been provided largely in the form of grants.

Six hospitals in as many countries are being constructed with bloc aid estimated to total \$15 million. The size of these structures varies from a 50-bed facility in Nepal to 500-bed facilities in Indonesia, Cambodia, and Guinea. Syria and Burma are the other recipients. With the exception of the one in Syria--a small hospital already completed by East Germany--all are part of the Soviet aid program in underdeveloped countries. The USSR will provide professional personnel to staff many of the hospitals at least temporarily. Czechoslovakia has provided \$1,800,000 worth of equipment for 11 hospitals in Ethiopia.

Other bloc aid for welfare projects includes technical assistance for urban development. The USSR is committed to provide both financial and technical aid for a housing development project in Ghana, and about 50 Czech and Bulgarian technicians are working with the Public Works and Housing Secretariat of Tunisia. Bulgarian specialists also aided Syria in its urban development program.

As estimated \$20,000,000 in credits and grants has been provided by the bloc for educational facilities. Technological institutes are being constructed with Soviet and Czech assistance in seven countries. Schools currently under construction or completed include a large shipbuilding and oceanography school at Amboina, Indonesia; a technological institute at Bombay, India; and a technological institute at Rangoon, Burma. The most recent bloc activities in this field are grants from Czechoslovakia and the USSR for technological schools in Somalia and Cambodia. A 2,500-student technical school to be built in Guinea is one of the largest Soviet undertakings in the field of education.

Although Ethiopia, the seventh recipient, and Burma have been reluctant to accept bloc personnel, bloc teachers

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

will be employed in most of the other five for at least a brief period after the schools are completed. The USSR is also helping Egypt establish vocational training centers.

At least \$85,000,000 in bloc aid has been committed for strictly agricultural projects, including soil research, establishment of state farms and tractor stations, development of new crops, general surveys of agricultural requirements, and provisions for technical training--all of which require relatively large expenditures for technical assistance. African states have received a large proportion of this type of aid. In Ghana, Guinea, and Ethiopia, bloc countries are participating in projects to develop dairy farms and production of rice, cotton, sugar, and maize. Guinea alone has received \$30,000,000, and Ghana, Indonesia, Iraq, and Yemen have received a total of \$33,000,000. The Chinese have promised Ceylon \$16,000,000 for its rubber rehabilitation program.

In addition, the bloc has extended a total of \$519,000,000 for multipurpose projects designed to provide irrigation, land reclamation, hydroelectric power plants, and flood control. When a number of surveys now under way are completed, additional bloc funds are to be obligated for similar projects.

The largest project in this category is the Aswan High Dam, for which the USSR extended credit amounting to \$325,000,000. Completion of this project will permit a 30-percent increase in the area under cultivation in Egypt. In Syria, the Soviet Union is providing credits totaling \$85,000,000 for a number of projects--the largest being the Euphrates River project--which will increase the arable area 13 percent. The USSR also has committed \$96,000,000 for irrigation, land reclamation, and hydroelectric power projects in Afghanistan and Indonesia, and is conducting surveys for such projects in Ceylon, Ghana, Guinea, and Iraq.

Another \$40,000,000 in bloc aid has been obligated for projects which will be of immediate benefit to agriculture, such as grain storage facilities, fertilizer plants, and agriculture equipment plants. The USSR is constructing such facilities in Afghanistan, Indonesia, Iran, Iraq, the UAR, and Cambodia.

It is estimated that during the last six months of 1960 at least 865 bloc technicians were working on projects related to agriculture in underdeveloped countries; this is about 15 percent of all bloc economic technicians in those countries. (Prepared by ORR)

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****ITALIAN FASCIST REVIVAL**

The neo-Fascist Italian Social Movement (MSI) has stepped up its activities in recent months, staging demonstrations on a variety of issues. One such demonstration in Florence last month turned into rioting which, although less bloody than that in Genoa last summer, indicated how quickly violence can follow any strong provocation of the widespread anti-Fascist sentiment in Italy.

The MSI is still profiting from the prestige gained last spring when Premier Tambroni relied on the 24 MSI votes in the Chamber of Deputies to give his minority Christian Democratic government a parliamentary majority. This is indicated by a slight increase in popular vote--the MSI won 6 percent of the vote in last November's provincial elections. As a result of the anti-Fascist riots in June and July--exploited by the Communists--the Christian Democrats ousted Tambroni and repudiated collaboration with the neo-Fascists at the national level. The two parties have continued joint participation in certain local governments, although the Christian Democrats are currently trying to form a new Sicilian regional administration without the neo-Fascists.

The MSI has profited from various efforts--such as the meeting organized in Rome on 20 March by a former ambassador and other well-known Fascists--to rehabilitate the reputation of the Mussolini era. After the

first program in a recent TV series ridiculing the Fascist era, the MSI organized protests which induced the government to censor the program in such a way as to reduce the anti-Fascist aspects.

The MSI's financial situation also seems to be improving. It appears that some of the under-the-table contributions which businessmen previously gave the Communists as insurance against the future are now being switched to the neo-Fascists.

Neo-Fascist political activity features rowdy street demonstrations, such as the desecration of a memorial to the parliamentarian Matteotti who was killed by Mussolini's henchmen. The MSI also seems to have been the principal participant in demonstrations against German-speaking groups in the South Tirol and the Slovene minority in Trieste.

The mid-March rioting in Florence involved some 300 neo-Fascists and was directed at the Christian Democratic mayor, La Pira, who had refused the use of a theater for a party rally and authorized a series of anti-Fascist posters. No serious casualties resulted, but the strength of anti-Fascist feeling was illustrated by the resolution of the Florence city council asking the national government to suppress the MSI.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****ANGOLA**

The situation in Luanda and in the disturbed areas of northwestern Angola is becoming more tense because of rumors of African plots and attacks throughout the country.

A large segment of the white population is approaching a state of panic as security officials and armed white civilians carry out increasingly brutal reprisals against Africans. The panic and brutality probably will be further heightened by widespread rumors of new large-scale uprisings planned to coincide with the forthcoming General Assembly discussions on Lisbon's policy in Angola. These discussions are expected to materialize within the next two or three weeks.

Following a new outbreak in Luanda involving several native deaths, the governor general warned the inhabitants that he would impose a curfew unless calm was restored. Indicative of the severe measures Lisbon intends to take in Angola is the recent arrest of the 70-year-old Vicar General Mendes das Neves of Angola on charges of abetting terrorist activities.

American and French consular officials in Luanda expect the Portuguese Cabinda exclave to be the next target for uprisings by African nationalists--probably to coincide

with General Assembly discussions of the Angola question.

Conditions in Cabinda are particularly favorable for nationalist activities. The exclave, settled by a relatively small number of whites, has an insufficient number of troops--two all-white companies and one African company--to defend its frontiers against large-scale incursions from its Congo neighbors. Moreover, its difficult terrain is even more suitable for guerrilla warfare than that of northwestern Angola.

Close tribal ties exist between Cabinda's natives and those of the former French Congo, and some government officials in Brazzaville are known to be sympathetic to nationalist aspirations in Cabinda. The Leopoldville-based Angola People's Union (UPA), believed responsible for organizing the recent clashes in Angola, probably is planning uprisings in Cabinda also. The American-owned Cabinda Oil Company, disturbed about the increasingly troublesome political climate, plans to suspend operations.

The exclave offers an attractive location for the establishment on Portuguese soil of a native "government in exile" from which to carry out a campaign to "liberate" all Portuguese overseas territories.

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